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FISCAL IMPACT STATEMENT

LS 7791

BILL NUMBER: SB 461

NOTE PREPARED: Jan 11, 2005

BILL AMENDED:

SUBJECT: Professional Motor Sports; License Plates.

FIRST AUTHOR: Sen. Clark

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill: (1) specifies that a business primarily focused on professional motor vehicle racing is eligible for certification as a qualified Indiana business for purposes of the Venture Capital Investment Tax Credit; (2) repeals the provision specifying that a taxpayer is not entitled to the Venture Capital Investment Tax Credit after December 31, 2008; (3) expands the state Gross Retail Tax exemption for tangible personal property used by professional motor vehicle racing teams; (4) includes a motor sports team or a professional sports franchise within the definition of a special group for purposes of issuing license plates; (5) provides for the issuance of Motor Sports and Professional Sports Teams license plates (plates) as special group recognition plates and Personalized License Plates; (5) establishes the Indiana Capital Projects Trust Fund (Fund); (6) requires that a certain fee collected for the plates be deposited in the fund and that the fund be used for capital projects; (7) repeals the political contribution paid at the time of an application or renewal for a Personalized License Plate and provides for a state fee to be paid at the time of application or renewal of a personalized license plate; (8) provides that certain special group recognition plates have certain sales requirements in order for the special group recognition plates to continue to be issued and (9) repeals expired sections of the Indiana Code.

Effective Date: Upon passage; January 1, 2005 (retroactive); July 1, 2005.

Explanation of State Expenditures: (1-2) *Venture Capital Investment Tax Credit:* The bill extends eligibility for the Venture Capital Investment Tax Credit to businesses primarily focused on professional motor vehicle racing. This could potentially result in a minimal increase in the number of businesses that annually seek certification for the credit. While under current statute the Indiana Department of Commerce (IDOC) provides for the certification of the credit, the IDOC is abolished on July 1, 2005, and all economic development functions are to be transferred to the Indiana Economic Development Corporation (IEDC).

(5) *Indiana Capital Projects Trust Fund*: The potential expenditures involved with the newly created license plates will depend upon the number of colors used and the number of plates produced.

PEN Products (Prison Enterprises Network), the manufacturing and sales arm of prison-made products, charges the Bureau of Motor Vehicles (BMV) and other groups petitioning for the creation of a new license plate(s). These charges consist of:

- (1) \$3.80 per plate (flat plate).
- (2) \$4.30 per multi-colored flat plate.
- (3) \$450 one-time set-up. This includes plate set-up by PEN graphic designer.
- (4) PEN Products can prepare, but it is not required, camera artwork for the newly created plate at an hourly rate of \$45.

The funds affected are the PEN Products Revolving Fund and the Motor Vehicle Highway Account, which supports the BMV.

Explanation of State Revenues: (1, 2) *Venture Capital Investment Tax Credit*: The bill makes the Venture Capital Investment Tax Credit permanent. Under current statute, new credits may not be certified for qualified investment made after December 31, 2008. In addition, current statute places an annual limit of \$10 M on new credits certified. Thus, the bill provides for \$10 M annually in new credits to be certified beginning in 2009.

The bill also extends eligibility for the Venture Capital Investment Tax Credit to businesses primarily focused on professional motor vehicle racing. This provision could potentially increase the number of businesses qualifying for the credit, but would not increase the current fiscal impact of the tax credit due to the \$10 M annual limit on new credits.

The Venture Capital Investment Tax Credit is a nonrefundable tax credit equal to the lesser of: (1) 20% of qualified investment capital (debt or equity capital) provided to a *qualified Indiana business* during a calendar year; or (2) \$500,000. The tax credit is allowed for venture capital investment made from January 1, 2004, to December 31, 2008. Under current law, a taxpayer may claim the credit against the State Gross Retail and Use Tax, Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, or Insurance Premiums Tax liability. While the tax credit is nonrefundable, it may be carried forward to subsequent years. No carryback of the tax credit is allowed. Current statute sets an annual limit equal to \$10 M on the total new credits certified by the IDOC (the IDEC beginning July 1, 2005) for venture capital provided during the taxable year. Carryover credits claimed in a taxable year are not counted toward the \$10 M annual maximum.

(3) *Gross Retail Tax Exemption for Professional Motor Vehicle Racing Teams*: This bill exempts from the state's Sales Tax tangible personal property that:

- (1) is leased, owned, or operated by a professional racing team; and
- (2) comprises any part of a professional motor racing vehicle, excluding tires and accessories.

The Department of State Revenue (DOR) published *Information Bulletin #67* which states that "a racing vehicle purchased by a professional racing team is exempt from Indiana Sales and Use Tax except for the tires and accessories. Therefore, this bill codifies the DOR's interpretation of the current exemption under IC 6-2.5-5-37.

(6) Motor Sports and Professional Sports Teams License Plate: This bill establishes the Motor Sports and Professional Sports Teams license plate as a special recognition plate. The bill also provides for the establishment of a fee by rule by the BMV for the plates. The bill also establishes the Indiana Capital Projects Trust Fund into which the revenue from the new license plates is to be deposited.

The Budget Director is to administer the Trust Fund. Expenses for administering the Indiana Capital Projects Trust Fund shall be paid from money in the Fund. Upon request to the Budget Director, or on June 30 of every fifth year after June 30, 2006, the Budget Director is to distribute the money from the Indiana Capital Projects Trust Fund to the state General Fund for the exclusive use by the state to fund capital projects in Indiana.

While the potential revenue from the sales of the license plates is not known, in CY 2003, revenue from the sale of special recognition (with a \$25 fee) license plates fell within a range of \$5,475 for the sale of 219 Mental Health Trust plates to \$1,712,200 for the sale of 68,488 Heritage Trust license plates.

In addition, there is a \$15 supplemental fee, of which \$6 is deposited into the MVHA and \$9 is deposited into the State License Branch Fund, which supports the Bureau of Motor Vehicles Commission. While potential revenue from the supplemental fee is not known, based on the above sales, revenue would fall within a range of \$3,285 (with \$1,314 deposited into the MVHA and \$1,971 deposited into the State License Branch Fund) and \$1,027,320 (with \$410,928 deposited into the MVHA and \$616,392 deposited into the State License Branch Fund).

(7) Political Contributions & License Plate Fees: The bill repeals the political contributions of \$30 for the application or renewal of a personalized license plate, and instead deposits the \$30 into the State License Branch Fund. Below is a table which shows a five-year history of the revenue generated from the fee and the distribution to the two major political parties.

	<u>Republican</u>	<u>Democrat</u>	<u>TOTAL</u>
2000	\$687,255	\$687,255	\$1,374,510
2001	705,105	705,105	1,410,210
2002	736,020	736,020	1,472,040
2003	699,795	699,795	1,399,590
2004	\$664,815	\$664,815	\$1,329,630

The State License Branch Fund supports approximately 170 license branches throughout the state.

(8) Special Group Recognition Plates: The bill resets the 5-year evaluation cycle for the minimum sales requirement for special group recognition plates that are initially issued after December 31, 2004. This will have no fiscal impact.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Bureau of Motor Vehicles; Bureau of Motor Vehicles Commission; Department of State Revenue; Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources: Dan Bastin, Settlement Deputy, State Auditor's Office, 317-232-3309; Jennifer Swenson, Sales Manager, PEN Products, 317-388-8580, ext. 273; *Information Bulletin* #67, January 2003, Department of State Revenue.

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